



## **MEMORANDUM**

**TO:** Health Care Commission  
Duane Goossen, Chair  
Connie Hafenstine  
Sandy Praeger  
Nancy Ruoff  
John Staton

**FROM:** Doug Farmer

**DATE:** April 8, 2009

**SUBJECT:** Caremark Renewal Proposal

The Health Care Commission's contract for pharmacy benefit management services will expire December 31, 2009. We have received a renewal proposal from Caremark to extend the contract for either a one (1) or three (3) year renewal contract. Under the renewal proposals, Caremark has revised the financial discounts available to the plan. Based upon a review by staff and Mercer's pharmacy account team, staff negotiated with Caremark for a one (1) year renewal based on the current plan design and preferred drug list as well as the performance drug list.

The one (1) year renewal of the Caremark contract under the current benefits using the current preferred drug list is estimated to save the plan approximately \$4.5 million during plan year 2010.

The second option, the performance drug list option, was introduced at the last Health Care Commission meeting. The performance drug list balances plan savings with member and provider disruption. Unlike traditional step therapy programs, with the performance drug list, members will continue to have access to preferred brand medications. The performance drug list mirrors the current preferred drug list. The only change is in how non preferred brand name drugs in three (3) specific classes of prescription drugs are processed. Those three classes of prescription drugs include: cholesterol lowering medications (HMGs), proton pump inhibitors (PPIs, which reduce the production of acid in the stomach), and high blood pressure medications (ARBs). These three classes of drugs include a large selection of lower costing generic drug options.

Members using HMGs, PPIs and ARBs will continue to have access to a robust list of both generic and preferred brand name drugs. The policy change will only affect members who try to purchase non

preferred brand name drugs and their history shows that they have not previously tried a generic in the drug class first. The pharmacy will receive a message that the claim cannot be processed because the member has not tried the generic first. If a member has tried a generic, they will be able to purchase the non preferred product and will be responsible for paying the non preferred drug coinsurance. Members who have tried two preferred products (at least one generic and either a preferred brand drug or another generic for the other) will still be able to apply for a drug override to reduce their coinsurance to the preferred brand drug level, if the non preferred drug is the only drug which is effective for their treatment.

As was done this year with the specialty drug program, Caremark will implement a comprehensive communication strategy with members and providers to minimize disruption. Affected members will receive proactive communications to inform them about the change prior to implementation. The communications will encourage members to use lower cost generic alternatives and preferred brands.

The performance drug list continues the value-based design philosophy by encouraging members to use lower cost generics before using non preferred brand products. Non preferred brand drugs have a sixty (60) percent member-paid coinsurance as compared to twenty (20) percent coinsurance for generics. Generic drugs are generally lower in total cost than brand name drugs, so this is a benefit for both the member and the plan. The one (1) year renewal of the Caremark contract under the performance drug list is estimated to save the plan approximately \$4.85 million with the enhanced pricing and rebates in the revised contract and another \$650-\$700 thousand from driving greater generic usage and less non preferred brand utilization during plan year 2010.

**Recommendation:**

Staff recommends accepting a one (1) year renewal of the Caremark pharmacy benefit management contract and the adoption of the performance drug list.